

ANNUAL REPORT
OF THE
INTERIM STUDY COMMITTEE ON
ECONOMIC DEVELOPMENT



Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204

November, 2011

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2011

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A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at <http://www.in.gov/legislative/>.

[**Note:** Because a quorum of the Committee was not present at its last meeting, this Informational Report was not approved by a majority of the Committee's appointed members. Pursuant to IC 2-5-31.8-5, which requires the Committee to operate under the policies of the Legislative Council, and Legislative Council Resolution 11-02, SECTION 11, a final report may not be officially recommended by a committee unless a majority of members appointed to serve on the committee approves the report. Consequently, the vote taken at the final meeting by the Interim Study Committee on Economic Development to endorse this Informational Report may not be construed as an official recommendation of the Committee.]

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation codified at IC 2-5-31.8 directing the Committee to study the following:

- (1) Best practices in state and local economic development policies and activities.
- (2) The use and effectiveness of tax credits and deductions.
- (3) Whether there are any specific sectors of the economy for which Indiana might have comparative advantages over other states.
- (4) The extent to which Indiana's tax laws encourage business investment, and any improvements that might be made to Indiana's tax laws.
- (5) The extent to which Indiana's education systems support economic development.
- (6) The benefits of existing community revitalization enhancement districts and possible new community revitalization enhancement districts as an economic development tool.
- (7) Any other issue assigned to the committee by the Legislative Council or as directed by the Committee's co-chairs.

The Legislative Council assigned the following additional responsibilities to the Committee:

- (1) The effect IC 5-22-15-20.9 and IC 36-1-12-22, providing for price preferences for local Indiana businesses, will have on non-local businesses (Legislative Council (Sens. Paul and Yoder)).
- (2) Unfair practice laws and the use of stolen information technology by businesses that offer products for sale in the state of Indiana (see SR 57-Sen. Merritt).

II. INTRODUCTION AND REASONS FOR STUDY

The General Assembly is interested in examining the scope, focus, and efficacy of Indiana's economic development assistance and incentive programs and evaluating the extent to which Indiana's laws, policies, and educational systems influence economic development. In particular, the General Assembly wants to review and evaluate the effectiveness of existing state and local government programs, consider new proposals, and determine whether the state's economic development programs operate within the parameters of best practices established around the United States.

III. SUMMARY OF WORK PROGRAM

The Committee met five times. These meetings were held in Indianapolis, Indiana, on August 26, 2011, Crane, Indiana, on September 26, 2011, Lafayette, Indiana, on October 11, 2011, and

Indianapolis, Indiana on October 17, 2011, and October 24, 2011.

These topics were covered at the first meeting:

- (1) Statutory charges to the Committee were reviewed.
- (2) Additional charges to the Committee by the Legislative Council were reviewed.
- (3) The Committee Findings and Recommendations for 2010 and Legislation for 2011 were both reviewed.
- (4) Price preferences for local Indiana businesses in purchasing (IC 5-22-15-20.9) and public works projects (IC 36-1-12-22).
- (5) The extent to which Indiana's education systems influence economic development.
- (4) In addition to any handouts by those testifying before the Committee, the following documents were distributed to the Members:
 - A copy of IC 5-22-15-20.9 and IC 36-1-12-22;
 - Senate Resolution 57-2011;
 - Indiana Economic Development Corporation (IEDC) report on collaboration with local economic development organizations;
 - IEDC economic incentives and compliance report;
 - Interim Study Committee on Economic Development's 2010 committee findings and recommendations and 2011 legislation; and
 - Indianapolis Star article on TEN (The Entrepreneurial Network)

These topics were covered at the second meeting:

- (1) Best practices in state and local economic development policies and activities.
 - Regional development and intrastate collaboration
 - State and local collaboration
 - Quality of life, community, and non-fiscal Issues
- (2) The defense sector of the Indiana economy.

These topics were covered at the third meeting:

- (1) Best practices in state and local economic development policies and activities.
 - State and local (and intrastate regional) collaboration
 - 21st Century Research and Technology Fund Report
- (2) The auto, advanced manufacturing, and logistics sectors of the Indiana economy.
- (3) The extent to which Indiana's education systems support economic development.

These topics were covered at the fourth meeting:

- (1) Use and effectiveness of tax credits and deductions and the extent to which Indiana's tax laws encourage business investment, and any improvements that might be made to Indiana's tax laws.
- (2) Entrepreneurship.
- (3) Regional interstate collaboration.
- (4) The benefits of existing community revitalization enhancement districts and possible new community revitalization enhancement districts as an economic development tool.
- (5) Unfair practice laws and the use of stolen information technology by businesses that offer products for sale in the state of Indiana (see SR 57-Sen. Merritt).

At the fifth meeting, the Committee discussed and voted on this Informational Report.

IV. SUMMARY OF TESTIMONY

Meeting 1:

Representative Scott Reske discussed regional collaboration activities and the seminar held by the Council of State Governments in Indianapolis.

Testimony and Committee questions and discussion took place regarding the effect of IC 5-22-15-20.9 and IC 36-1-12-22, which provide price preferences for local Indiana businesses in purchasing (IC 5-22-15-20.9) and public works projects (IC 36-1-12-22). Both sections were enacted in the 2011 legislative session as part of House Enrolled Act (HEA) 1004 (P.L. 172-2011). There was also testimony and discussion concerning the extent to which Indiana's education systems influence economic development.

Local Price Preferences

Charlie Kahl, President of the Indiana Construction Association, argued that IC 36-1-12-22, specifying county-based geographic price preferences for local public works projects, is detrimental to the system of open competition in local public works projects that worked well before the adoption of HEA 1004-2011. He argued that the rule of IC 36-1-12-22(d) artificially restricts the geographic territory in which contractors can operate, because a contractor based elsewhere in the state will not be able to compete against a contractor located in or adjacent to the county in which the political subdivision awarding the contract is located. Mr. Kahl called for the General Assembly to repeal this statute.

Phil Lehmkuhler, State Director of the United States Department of Agriculture (USDA) Rural Development Program, reviewed the funding activities of the USDA Rural Development Program. He said that according to the USDA Office of General Counsel, both IC 5-22-15-20.9 (procurement) and IC 36-1-12-22 (public works) are in conflict with those federal open bidding process requirements. This conflict would cause USDA Rural Development Program to withdraw funding participation where those statutes apply. Mr. Lehmkuhler consequently requested an amendment to those statutes that would create an exception for federal projects.

Brian Inniger, Chief Financial Officer of Rieth Riley, Goshen, Indiana, said Rieth Riley was established in 1916 and received the very first contract awarded by the Indiana Department of Transportation and now does work throughout Indiana. Mr. Inniger believes, however, that the only place Rieth Riley is local under the statute is Elkhart County.

Rhonda Cook, Director of Government Affairs and Legislative Counsel, Indiana Association of Cities and Towns (IACT), and Mike Howard, Attorney for the City of Noblesville and for Hamilton County said that IACT is concerned with the public works aspect of the HEA 1004 (IC 36-1-12-22) and provided a couple of examples of language that may not be clear. Mr. Howard urged the repeal of IC 36-1-12-22. Based on his experience, he believes that Indiana had a bidding system that worked before IC 36-1-12-22 was adopted. He listed several points of criticism.

The Influence of Indiana's Education Systems on Economic Development

Mitch Roob, Secretary of Commerce and Chief Executive Officer of the Indiana Economic Development Corporation, introduced the topic of education and economic development. In his presentation, Secretary Roob stressed his perceptions of what executives considering an expansion in or move to Indiana are looking for in the Indiana workforce. His first major point was that business people highly value mathematics ability in their employees and his second major point concerned the need to find a way to teach leadership skills.

Tom Lewandowski, President, Northeast Indiana Central Labor Council (NEICLC), described the NEICLC's Unemployed and Anxiously Employed Worker's Initiative (Initiative). Mr. Lewandowski described the Initiative as an attempt to determine what works and what doesn't work in economic development by reviewing tax abatements and other incentives given to enterprises in Northeast Indiana. Mr. Lewandowski raised several concerns.

Jason Dudich, Associate Commissioner and Chief Financial Officer, Commission for Higher Education (CHE), spoke about several areas in which Indiana's postsecondary institutions support economic development in Indiana. A key theme in Mr. Dudich's testimony is the desirability of an effective division of labor in higher education in Indiana. He said that the CHE believes that certificates, technical certificates, associate degrees and workforce training should be the focus of Indiana's two-year colleges. Comprehensive four-year institutions and research institutions on the other hand should focus on research, bachelor's degrees, and professional degrees. At the same time, the CHE believes that the ability to transfer credits and degrees between different institutions is vital.

Representative Messmer posed questions to CHE concerning CHE review of degree programs, residency requirements, capacity in certain major subject areas, differing levels of rigor between institutions, duplicated programs, shifting focus at research institutions to produce more master's and doctoral degrees, increasing degrees in science, technology, engineering, and mathematics (STEM), entrepreneurship programs in rural areas and small communities, and entrepreneurship programs at the K-12, postsecondary, and workforce training levels.

Amy Horton, Assistant Superintendent for Student Achievement and Growth, Indiana Department of Education (DOE), reviewed how the DOE is contributing educational support for economic development. She noted that DOE has recently reorganized itself and will be creating a new division called Student Achievement and Growth. Ms. Horton said the DOE supported and applauded the General Assembly for passing the most comprehensive education reform package in the nation during the 2011 legislative session and summarized the legislative changes. Ms. Horton reviewed several specific projects the DOE has been engaged in that support economic development.

Dan Clark, Executive Director, Indiana Education Roundtable, described the immediate mission of the Education Roundtable: to advance education policies that result in a world-class workforce. He reviewed various statistics about the population of Indiana students, their academic achievement, and how they compare with students in other states and the world. Mr. Clark believes that in order to have a world-class workforce at least 80% of Indiana high school students must graduate with a college-and-career-ready diploma without any need for postsecondary remediation. Mr. Clark also discussed the adoption of the Common Core State Standards.

Michael Harris, Chancellor of Indiana University Kokomo, advocated that policy makers adopt a model

of economic development based on close collaboration between business, governments, and universities and explained that regional universities have an important role. Chancellor Harris stated that entrepreneurship is a mindset that should be infused into the full spectrum of educational endeavors

Mark Everson, Commissioner of the Indiana Department of Workforce Development (DWD), reviewed financial and claims data of the unemployment insurance system, including the initial impact of the unemployment insurance reform statute HEA 1450-2011 (P.L. 2-2011). Commissioner Everson explained that HEA 1340-2011 (P.L. 7-2011) transferred responsibility for administering adult basic education in Indiana from the Department of Education to DWD and that adult basic education is now closely linked with DWD's WorkOne system. Commissioner Everson concluded by noting that there is an expectation of continued funding reductions for workforce training, reflecting reduced federal funding, the lapse of federal stimulus funding, and an improved unemployment rate.

Meeting 2:

Best Practices in State and Local Economic Development Policies and Activities

Thayr Richey, President, Strategic Development Group, Inc., said there was a transition under way in the Midwestern states from a semi-skilled manufacturing economy to a new economy driven by knowledge-based jobs and the question is what will replace the manufacturing sector as the primary provider of middle-class jobs. Mr. Richey indicated that economic development strategies used by the states surrounding Indiana have not been particularly effective in finding something that can replace semi-skilled manufacturing jobs. Mr. Richey listed a number of current trends in economic development strategies and highlighted economic development challenges for Indiana.

Lewis Ricci, Executive Director, Indiana Arts Commission (IAC), spoke on quality of life, community, and non-fiscal issues affecting economic development. He discussed the impact of the IAC's grant making activity in Indiana and the significant economic impact of the arts generally on the state and national economies. He added that arts education has been negatively impacted because of the No Child Left Behind Act of 2001, P.L. 107-110, 115 Stat. 1425. He emphasized that creative education is one of the basic tools used to nurture creative people and that employers want creative people. He noted, however, that there has been consistent downward pressure on the arts in education. He stressed that the IAC's support of the arts is on the individual level, the community level (such as arts and cultural districts), and the organizational level.

Indiana's Comparative Advantages over Other States in the Defense Sector

Shane Blair, Vice President, Radius I Indiana, addressed the topic of whether Indiana has any competitive advantage in the defense sector. He said that Radius | Indiana is a nonprofit corporation serving as the regional economic development organization for an eight county region in south-central Indiana. Mr. Blair described a study of the defense industry in Indiana and a proprietary database of Indiana vendors available for use at no charge for the purpose of matching opportunities with core competencies. He also spoke about technology transfer at the NSWC Crane and stated that NSWC Crane is pushing technology out to private industry and has an interest in obtaining technology developed elsewhere for use in furthering its mission of supporting the warfighter. Mr. Blair expressed his confidence that Indiana does have an advantage to sell in terms of lower costs, but also noted are some concerns, such as amenities, education alternatives, adequate infrastructure, and human capital. He noted that in the defense sector, relationships between active military personnel and retired generals and other

retired military personnel are important. He added that in this sector, incentives don't drive deals.

Meeting 3:

Best Practices in State and Local Economic Development Policies and Activities

Daniel Hasler, Indiana Secretary of Commerce, made a presentation to the Committee on the Indiana Economic Development Corporation's (IEDC) efforts in economic gardening. He noted that Indiana was in the top three states in growth in gross domestic product in 2010 at a 4.6% growth rate, is a top ten pro-business state, is one of the two best states for job growth, won its first gold shovel award for economic development, is one of the nation's lowest tax and regulation states, and is very attractive for starting a new life sciences business. He noted that different size companies need different environments and that IEDC matches needs to the enterprise. He reviewed the last two years of activity for the Twenty-First Century Research and Technology Fund and indicated that the Fund has focused on early stage companies because Indiana has not had a culture of high risk/high return investment. He added that since 1999, there have been 197 awards in 24 counties. He reviewed both the failures and successes of businesses helped by the Fund. He indicated that the goal is for the Fund to establish a self-sustaining private high risk venture capital community. He described the Elevate Ventures program, which is a tax exempt, non profit statewide venture that immediately allowed Indiana to receive \$34.3 million in federal funds. He emphasized the importance of the IEDC's due diligence in reviewing applicants. He also mentioned that the IEDC supports the federally funded Indiana Small Business Development Center and presented various data on the Center's activities since 2007. He described the IEDC's work with regional economic development organizations and local economic development organization. He presented data on total competitive projects, private sector job projections, the average Hoosier wage, private sector investment projections. He described what matters to companies when making a move. He added that one of the most often heard positives about Indiana is that there is collaboration amongst state and local groups to solve problems. He recommended that Indiana make improvements in workforce development, in having shovel ready sites available, and providing employer relocation assistance. He said that stimulating venture capital, supporting small business, and retaining and attracting businesses are required for Indiana to have a healthy economy.

William Dory, President, Indiana Economic Development Association, spoke about the Association and indicated it was founded in 1968 and has 400 members. He said that communities look beyond the numbers. He stated that restricting local government in using tax increment financing would be a problem.

Indiana's Comparative Advantages over Other States in the Auto, Advanced Manufacturing, and Logistics Sectors

Matthew Conrad, Project Director, Indiana Automotive Council, stated that the Indiana Automotive Council ("IAC") exists to enhance, grow and promote the automotive industry in Indiana, focusing on competitiveness in the global automotive marketplace and stimulating long-term job creation and capital investment. He said the IAC's vision is to make Indiana the automotive state of tomorrow. He reviewed various data on the automotive industry as part of the Indiana economy, including total industry employment, the industry's contribution to Indiana's gross domestic product, car and light truck production, and assembly facilities. He reviewed an analysis of the strengths and weaknesses of, opportunities for, and threats to the industry. He discussed key strategic initiatives, including developing the best workforce, having the strongest supply chain, promoting the Indiana "brand", and being the most

innovative. He suggested promoting science, technology, engineering, math, and advanced manufacturing programs in K-12, implementing advanced manufacturing/logistics curriculum, improving training for automotive workers, and strengthening relationships between industry and higher education. He added that Indiana needs to attract more high-value-add suppliers, attract more headquarters and research/design/development facilities, brand Indiana as an automotive leader, and develop unique niches where Indiana can be a global leader. He recommended that the General Assembly extend the Hoosier Alternative Fuel Vehicle Manufacturer Tax Credit to December 31, 2016, or make it permanent, and enact a tax credit designed to entice companies to relocate automotive research, design and development facilities in Indiana.

David Holt, Vice President of Operations and Business Development, ConexusIndiana, told the Committee that ConexusIndiana has started a Logistics Council that is working to enhance the environment for companies in advanced manufacturing and logistics, create a more attractive environment for manufacturing and logistics companies to relocate or expand in Indiana, and create high paying jobs for Hoosiers. He indicated that policies should be implemented that enhance intermodal facilities in Indiana to bypass the Chicago bottleneck, increase in air cargo flights to and from Indiana airports, assist in construction and redesign of important locks, help complete key infrastructure projects in bottleneck regions, provide a logistics tax credit to attract and retain logistics companies, and improve industry-driven logistics high school and postsecondary curriculum. He indicated Indiana needs to support federal funding of locks, hasten the transportation and logistics income tax credit, place private sector identified non-Indiana Department of Transportation projects on the Department's long-term priority list, and promote aircraft maintenance licensing curricula at high schools and in post secondary institutions.

Educational Support for Economic Development

Jeff Terp, Vice President for Engagement, Ivy Tech Community College, discussed workforce development. He described the various ways that Ivy Tech works with businesses in different industries to tailor programs specific to their needs. He indicated that IVY Tech also works with DWD to match training programs to jobs in demand. Mr. Terp said that Ivy Tech conducted a survey of business executives and asked them what they need from Ivy Tech. Mr. Terp pointed out that Ivy Tech is the only statewide community college in the nation and this fact is a decided advantage for Indiana.

Senator Hershman asked whether there was any particular skill area in need of remedial training that Ivy Tech sees frequently. Mr. Terp acknowledged that math skills are an important area where remedial training is often needed, but that not everyone needs the same math skills.

Duane Dunlap, Associate Dean for Statewide Technology and Engagement, College of Technology, Purdue University, and Melissa Dark, Associate Dean for Research and Strategic Planning, College of Technology, Purdue University, continued on the theme of educational support for economic development with a joint presentation on Purdue's College of Technology and its dual mission to advance Indiana's technology know-how.

Dean Dunlap added these observations about College of Technology graduates:

- 82% of graduates continue to reside in the communities where they studied for their degrees; and
- the majority of graduates work in Tier 2 and Tier 3 companies.

Dean Dunlap described a close cooperation with Ivy Tech that allows a student to take her first two years at either Purdue or Ivy Tech and then move to the College of Technology for her final two years to obtain

her bachelor's degree.

Melissa Dark, Associate Dean for Research and Strategic Planning, College of Technology, Purdue University described the College of Technology's mission to support regional entrepreneurship and innovation clusters. She noted that the College of Technology stands ready to create, support, and participate in several different networks of businesses and educational institutions and assistance for second-stage companies. She mentioned other business networks as well.

Suresh Garimella, Assistant Vice President of Engagement, Purdue University, said that an ever-present question for the leaders at Purdue University is: how do we improve the lives of people in Indiana? Mr. Garimella added what matters in a knowledge-based economy and listed some lessons learned about economic development.

Meeting 4:

Taxes and Economic Development

John Krauss, Director, Indiana University Public Policy Institute, appeared with **Kathy Davis**, Co-Chair for the State and Local Tax Policy Commission and Owner of Davis Design Group LLC, and **David Lewis**, Co-Chair for the State and Local Tax Policy Commission and Vice President for Global Taxes & Chief Tax Executive, Eli Lilly and Company, to brief the Committee on some preliminary findings of the State and Local Tax Policy Commission (Commission) in advance of the Commission's anticipated report on changes to Indiana's tax structure that are necessary to ensure long term fiscal sustainability, enable economic development, and promote the economic well-being of people in Indiana.

Mr. Lewis outlined the desirable features of a tax system and Ms. Davis pointed out some of the Commission's concerns and noted that while current revenues are adequate to cover current obligations, the state does have potential long term issues. Growth is the best strategy to solve these problems, she emphasized, and we should adopt a long-term view of our public needs and funding alternatives. Mr. Lewis and Ms. Davis concluded their presentation with several additional indications of the Commission's thinking. In the ensuing discussion, Mr. Lewis drew attention to the overall context in which state tax policy efforts take place.

Robert Greenbaum, Associate Professor, John Glenn School of Public Affairs, Ohio State University, appeared by video conference to speak on the topic of the effectiveness of business tax incentives. Professor Greenbaum explained that there are numerous justifications for providing local economic development incentives. Professor Greenbaum reviewed the academic research on tax incentives, noting that he conducts research in the area of enterprise zones. Professor Greenbaum gave two reasons why tax incentives are used: (1) tax competition among state and local governments as they compete for job growth in higher unemployment areas; or (2) to address a market failure. Professor Greenbaum offered several suggestions regarding business tax incentives.

Tom Lewandowski, President, Northeast Indiana Central Labor Council (NICLC), appeared to discuss the progress of the NICLC's Unemployed and Anxiously Employed Workers' Initiative (Initiative), along with **Cheryl Hitzemann**, leader of the Initiative's economic development audit team. Mr. Lewandowski and Ms. Hitzemann had previously appeared before the Committee on August 25, 2011. Mr. Lewandowski reviewed the results of what he acknowledged was an unscientific survey of Initiative

members conducted by the Initiative on the state of the local economy. Mr. Lewandowski also testified on economic development incentive audits and described four problems the Initiative encountered while conducting these audits. Ms. Hitzemann described her impressions from analyzing statements of benefits required as part of the abatement application and compliance forms, noting that businesses that do not receive abatements are offended. Mr. Lewandowski asked that the General Assembly address the four problems he described at the outset of his testimony.

Entrepreneurship

Ron Brumbarger, President and CEO, BitWise Solutions, Inc. (BitWise), spoke on the topic of entrepreneurship, relating some of his experiences with hiring people to work at BitWise and attempting to support education.

Senator Hershman brought up the mandate in HEA 1006-2011 to develop curriculum guides for instruction in entrepreneurship. Mr. Brumbarger said that about five years ago he got very involved in education, buying textbooks and funding curricula. But those programs have been dropped for lack of interest. He added that over the past five years, he has ceased asking an employment candidate where he or she went to college. His biggest concern, he concluded, is the difference between those who have an entrepreneurial mind set and those who do not.

Jason Dudich, Associate Commissioner and Chief Financial Officer, Indiana Commission for Higher Education, appeared with **Amy Horton**, Assistant Superintendent for Student Achievement and Growth, Indiana Department of Education, and reported that the development of the entrepreneurial curricula guides was in its early stages. Senator Hershman reminded Mr. Dudich and Ms. Horton that this issue is important and we will work on this collaboratively.

Regional Interstate Collaboration

Representative Scott Reske spoke on the topic of regional collaboration in the Midwest. He said there is a new initiative in the Council of State Governments -- Midwest Region (CSG-M) to establish a collaborative economic development organization for the Midwest, similar to the role the Southern Growth Policy Board has played in the South. He emphasized that a collaborative Midwest economic development organization would undertake action in those areas where the states could find agreement and would avoid any attempt to work on areas where there is conflict between one or more states. Representative Reske recommended that Indiana participate in any regional Midwest economic development organization that comes out of the talks currently under way at CSG-M.

Unfair Practice Laws

Senator James W. Merritt, Jr., Chairman, Senate Utilities & Technology Committee, introduced the topic of and the use of stolen information technology by businesses that offer products for sale in the state of Indiana. He said the resolution called attention to two issues:

- First, businesses cut costs by using stolen intellectual property.
- Second, some businesses are injured when competitors use stolen intellectual property.

Heather Macek, Attorney, Barnes & Thornburg, LLP, representing Microsoft, introduced **Greg McCurdy**, Sr. Policy Counsel at Microsoft, who gave a presentation titled "FAIR Competition, IP

Protection, & JOBS". Microsoft's interest in the topic is to find a way to stop piracy of its products. Mr. McCurdy said Microsoft has been working at the state level for several years to encourage states to adopt unfair competition laws. Mr. McCurdy noted laws in Washington (2011) and Louisiana (2010).

Morgan Reed, Executive Director, Association for Competitive Technology, continued on the topic of unfair practice laws and stolen intellectual property. Mr. Reed illustrated the concern using two valves, one made in China, the other made in the United States and how software is used in the manufacturing process, claiming that the Chinese manufacturer is using all the same software but pays nothing. He advocated for the adoption of an unfair practice law of the type described by Mr. McCurdy.

Brian O'Connell, Regional Director, State Government Relations, General Motors (GM), was the final speaker on the topic of unfair practice laws and stolen intellectual property. He took a position opposing the adoption of an unfair practice law such as the one described by Mr. McCurdy. Mr. O'Connell said that GM appreciates the goal of the law but noted that unfair practice statutes like the ones in Washington or Louisiana may disrupt the supply chain in Indiana. He indicated an unfair practice law could make GM liable for every intellectual property violation of every contractor in the supply chain. Mr. O'Connell concluded by saying that passing laws in Indiana to stop a company from pirating software in southeast Asia is not the answer.

Community Revitalization Enhancement Districts

The Committee was provided with the law governing community revitalization enhancement districts and a 2010 Fiscal Brief, prepared by the Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, which provided background information and data on existing community revitalization enhancement districts. No one testified on this topic during the interim.

Meeting 5:

Senator Hershman announced that a quorum of members was not present and that without a quorum present the Committee could not officially adopt its proposed final report or take any other official action. However, the rules of the Legislative Council do not prohibit those members of the Committee who are present in the absence of a quorum from discussing the proposed final report and publishing it for informational purposes. The Committee proceeded to discuss the proposed final report as an informational report.

Representative Mark Messmer read the proposed findings and recommendations of the Committee's proposed informational report.

Senator Hershman called for public comments. There were no public comments.

Senator Hershman called for Committee discussion. Jeff Quyle asked about the distinction between findings and recommendations. Senator Hershman explained. Mark Becker moved that recommendation 5 of the proposed informational report include a reference to the recently published Conexus-sponsored study of the defense industry in Indiana and the Committee members present consented to the change to the informational report.

A motion was made for a vote on the proposed informational report, as amended, and seconded. The roll was called. There were seven affirmative votes to endorse the proposed informational report, as

amended, and none opposed.

[NOTE: The Committee operates under the policies governing study committees adopted by the Legislative Council. See IC 2-5-31.8-5. One of those policies provides that a study committee may not recommend a final report unless a majority of members appointed to serve on the committee approves the report. Sixteen members were appointed to serve on the Committee but only seven were present at this meeting. Consequently, the vote taken at this meeting to endorse this Informational Report, as amended, may not be construed as an official recommendation of the Committee.]

V. INFORMATIONAL REPORT FINDINGS AND RECOMMENDATIONS

The Committee Members present at the final meeting made the following findings:

- 1) That the ELEVATE and 21st Century Research and Technology Fund programs are valuable for economic development.
- 2) That Purdue University's Statewide Technology program should be funded at a level that recognizes the value of the educational opportunities it provides many non-traditional and traditional students around the state.
- 3) That continued study of tax credits and deductions should be done by the Committee and the report now being prepared by the Policy Choices for Indiana's Future Project, State and Local Tax Policy Commission, should be considered when doing this study.
- 4) That economic regions of the state need to be marketed as workforce and economic development regions by the businesses, governments, and educational institutions within the region and also by the Indiana Economic Development Corporation (IEDC).
- 5) That certain 2010 Committee findings and recommendations resulted in 2011 legislation, which is enhancing economic development in Indiana:

Required the IEDC to conduct a statewide study to determine specific economic sectors that should be emphasized by the state and local economic development organizations and to include in its strategic economic development plan identification of economic regions in Indiana and the methods by which the IEDC will increase collaboration between the IEDC and local economic development organizations and methods by which the IEDC will increase collaboration with state economic development organizations in the states contiguous to Indiana.

Required the IEDC to collaborate with local economic development organizations.

Eliminated certain tax deductions and credits to broaden the corporate income tax base.

Reduced Indiana's corporate income tax rate to 6.5% as of July 1, 2015.

Strengthened the entrepreneurship culture by establishing the young entrepreneurs program within IEDC, requiring the Commission on Higher Education (CHE) to cooperate with the State Board of Education and the Department of Workforce Development to develop entrepreneurship programs for elementary and secondary schools, higher education, and individuals in the work

force, and by directing the CHE to inventory entrepreneurship programs.

Made the Interim Study Committee on Economic Development a four-year statutory committee charged with studying economic development issues through 2014.

6) That the 2010 Committee findings and recommendations were evaluated and continue to reflect the state's priorities for economic development.

The Committee Members present at the final meeting made the following recommendations:

1) That the Commission on Higher Education (CHE) and higher education institutions need to collaborate to provide a better trained workforce focused at a regional level.

2) That the Indiana Economic Development Corporation (IEDC) and the CHE need to take steps that will encourage collaboration between higher education institutions and targeted industries to take advantage of significant opportunities for technology and innovation transfers from higher education to these targeted industries, especially the Crane Naval Warfare Center and other manufacturing, defense, and technology industries.

3) That Ivy Tech Community College and Vincennes University should adopt the National Association of Manufacturers (NAM) endorsed Manufacturing Skills Certification System proposed by the Manufacturing Institute.

4) That the local price preference provisions included in HEA 1004-2011 should be changed to eliminate its coverage of public works and to make it optional for local government whether to provide a price preference for supplies.

5) That IEDC needs to work with Conexis Indiana to study burdens to business growth and expansion, especially in the logistics, automobile, and defense industries.

WITNESS LIST

Charlie Kahl, President of the Indiana Construction Association
Phil Lehmkuhler, State Director of the United States Department of Agriculture Rural Development Program
Brian Inniger, Chief Financial Officer of Rieth Riley
Rhonda Cook, Director of Government Affairs and Legislative Counsel, Indiana Association of Cities and Towns
Mike Howard, Attorney for the City of Noblesville and for Hamilton County
Mitch Roob, Secretary of Commerce and Chief Executive Officer of the Indiana Economic Development Corporation
Tom Lewandowski, President, Northeast Indiana Central Labor Council
Jason Dudich, Associate Commissioner and Chief Financial Officer, Commission for Higher Education
Amy Horton, Assistant Superintendent for Student Achievement and Growth, Indiana Department of Education
Dan Clark, Executive Director, Indiana Education Roundtable
Michael Harris, Chancellor of Indiana University Kokomo
Mark Everson, Commissioner of the Indiana Department of Workforce Development
Thayr Richey, President, Strategic Development Group, Inc.
Lewis Ricci, Executive Director, Indiana Arts Commission
Shane Blair, Vice President, Radius I Indiana
Daniel Hasler, Indiana Secretary of Commerce
William Dory, President, Indiana Economic Development Association,
Matthew Conrad, Project Director, Indiana Automotive Council,
David Holt, Vice President of Operations and Business Development, ConexusIndiana
Jeff Terp, Vice President for Engagement, Ivy Tech Community College
Duane Dunlop, Associate Dean, Purdue College of Technology
Melissa Dark, W.C. Furnas Professor, Purdue College of Technology and Associate Dean for Strategic Planning and Research, Purdue College of Technology
Suresh Garimella, Assistant Vice President of Engagement, Purdue University
Tom Easterday, Executive Vice President, Secretary and General Counsel, Subaru of Indiana Automotive, Inc.
John Krauss, Director, Indiana University Public Policy Institute; Director IU Center for Urban Policy and the Environment
David Lewis, Co-Chair, Policy Choices for Indiana's Future Project, State and Local Tax Policy Commission, Co-Chairs are David Lewis, Eli Lilly and Kathy Davis
Kathy Davis, Co-Chair, Policy Choices for Indiana's Future Project, State and Local Tax Policy Commission
Rob Greenbaum, Associate Professor, John Glenn School of Public Affairs, The Ohio State University
Ron Brumbarger, President & CEO of BitWise Solutions, Inc.
Rep. Scott Reske, Chair, Midwestern Legislative Conference, Midwestern office of The Council of State Governments
Sen. Jim Merritt, Chairman, Senate Utilities & Technology Committee
Heather Macek, Attorney, Barnes & Thornburg, LLP, representing Microsoft
Greg McCurdy, Senior Policy Counsel for U.S. Government Affairs, Microsoft Corporation
Morgan Reed, Executive Director, Association for Competitive Technology
Brian O'Connell, Regional Director, State Government Relations, General Motors